

BEFORE

THE PUBLIC SERVICE COMMISSION OF

SOUTH CAROLINA

DOCKET NO. 2000-0283-C - ORDER NO. 2000-766

SEPTEMBER 14, 2000

IN RE: Application of Claricom Networks, Inc. d/b/a) ORDER
Staples Communications-Networks for a) GRANTING
Certificate of Public Convenience and) CERTIFICATE TO
Necessity to Operate as a Reseller of Local) PROVIDE LOCAL
Exchange Telecommunications Services) SERVICES AND
within the State of South Carolina.) EXPEDITED REVIEW

This matter comes before the Public Service Commission of South Carolina (the "Commission") by way of the Application of Claricom Networks, Inc. d/b/a Staples Communications-Networks ("Claricom" or the "Company") requesting a Certificate of Public Convenience and Necessity authorizing it to provide local exchange telecommunications services throughout the State of South Carolina and by way of the Company's Motion for Expedited Review of Application. The Company requests authority to amend the Certificate of Public Convenience and Necessity granted by this Commission on September 9, 1997, in Docket No. 97-082-C, Order No. 97-773 to provide long distance telecommunications within the state of South Carolina to also allow Claricom to provide local exchange services within the State of South Carolina. The Company's Application was filed pursuant to S.C. Code Ann. §58-9-280 (Supp. 1999) and the Regulations of the Public Service Commission of South Carolina.

By letter, the Commission's Executive Director instructed Claricom to publish, one time, a prepared Notice of Filing in newspapers of general circulation in the areas affected by the

Application. The proposed Notice of Filing was to inform interested parties of the manner and time in which to file the appropriate pleadings for participation in the proceedings. Claricom complied with this instruction and provided the Commission with proof of publication of the Notice of Filing. A Petition to Intervene was received from the South Carolina Telephone Coalition ("SCTC").

On August 18, 2000, counsel for SCTC filed with the Commission a Stipulation in which Claricom stipulated that it would seek authority in non-rural local exchange ("LEC") service areas of South Carolina and that it would not provide any local service to any customer located in a rural incumbent's service area, unless and until Claricom provided written notice of its intent prior to the date of the intended service. Claricom also stipulated that it was not asking the Commission to make a finding at this time regarding whether competition is in the public interest for rural areas. Claricom agreed to abide by all State and Federal laws and to participate to the extent that it may be required to do so by the Commission in support of universally available telephone service at affordable rates. The SCTC withdrew its opposition to the granting of a statewide Certificate of Public Convenience and Necessity to Claricom to provide local services provided the conditions contained in the Stipulation are met. The Stipulation was entered into the evidence of the hearing, and the Staff requested that the Stipulation be approved by the Commission. The Stipulation is approved and attached as Order Exhibit 1.

On August 17, 2000, Claricom filed its Motion for Expedited Review of its Application. By its Motion, Claricom offers that no comments or petitions to intervene, other than its agreement with the South Carolina Telephone Coalition's Stipulation which withdrew its opposition, were filed in response to the notice in this docket. The record reveals that Claricom

was issued a Certificate of Public Convenience and Necessity by this Commission under the name Clarity Telecom LD Network Service, Inc. to operate as a reseller of interexchange telecommunications services within the State of South Carolina in Order No. 97-773 in Docket No. 97-082-C on September 9, 1997. In support of its Application for a Certificate of Public Convenience and Necessity to provide local telecommunications services and Motion for Expedited Review, Claricom submitted the verified testimony of Joyce E. Johnson, Esquire, Corporate and Regulatory Counsel and Assistant Secretary of Claricom Networks, Inc. d/b/a Staples Communications - Networks. The purpose of Ms. Johnson's testimony was to provide evidence on the financial, technical, and managerial abilities of Claricom to provide local exchange telecommunications services in South Carolina and to describe the services which Claricom proposes to offer.

According to the verified testimony of Ms. Johnson, Claricom is a Delaware corporation duly authorized to do business in South Carolina as a foreign corporation. Claricom is a privately-held, wholly-owned subsidiary of Claricom Holdings, Inc., which is also a Delaware corporation. Claricom currently operates as a reseller of intrastate long distance telecommunications services in forty-seven states and has an application pending for authority to resell intrastate interexchange (toll) telecommunications services within the State of Arizona. Claricom has been granted authority or is otherwise authorized to resell local exchange telecommunications services in seventeen states with applications for authority pending in nine states besides South Carolina. Claricom proposes to resell all available incumbent local exchange carrier (ILEC) services in the State of South Carolina, initially reselling local exchange telecommunications services of BellSouth in BellSouth's exchange areas throughout the State of

South Carolina. Ms. Johnson's testimony states that Claricom will serve primarily business customers in the State of South Carolina but requests authority to serve both business and residential customers. She further stated that Claricom will offer service twenty-four hours per day, seven days per week and will provide local exchange services on a resale basis only, relying exclusively on the facilities of other South Carolina certificated local exchange carriers. Her testimony reveals that Claricom is in the process of negotiating a region-wide resale agreement with BellSouth and anticipates entering into such an agreement with BellSouth in the near term.

The record reveals that Claricom has sufficient technical and managerial resources to provide the services for which its requests authority. Ms. Johnson testified that Claricom's officers and directors have extensive experience in the provision of telecommunications services and the operation of telecommunications companies. She said that Claricom's management team has been instrumental in the design, implementation and operation of several telecommunications networks. Claricom has been providing interexchange telecommunications services in South Carolina since 1997.

According to Ms. Johnson's verified testimony, she established and currently manages Claricom's corporate and regulatory legal department and is responsible for handling day-to-day activities such as telecommunications regulatory and state certification matters, contract negotiations, corporate litigation, labor and employment issues, and corporate transactions. Before she joined Claricom in 1996, she was a regulatory attorney at Executone Information Systems, Inc., and prior to that position, she was Special Assistant Attorney General of the Regulated Industries Division of the Massachusetts Attorney General's Office where she worked primarily on telecommunications regulatory matters. Information in the Company's Application

reveals that Ronald L. Sargent is President and Chief Operating Officer of Claricom and Staples, Inc. Mr. Sargent is responsible for Staples, Inc.'s worldwide operations. Prior to joining Staples in 1989, he spent fifteen years with The Kroger Company, the nation's largest supermarket retailer. He is a graduate of Harvard College and Harvard Business School. Thomas Maier currently serves as Vice President of Claricom's Network Services Division. A CPA, he previously served as Vice President of Finance of that same division at Claricom.

Regarding Claricom's financial resources, Ms. Johnson offered that Claricom has more than sufficient financial resources and qualifications to resell local exchange telecommunications services within the State of South Carolina. In its Application, Claricom provided copies of the unaudited consolidated financial statements of Claricom, its parent corporation, Claricom Holdings, Inc., and its sister corporations, Claricom, Inc. and Clarity Telecom Local Network Services, that reflect the financial performance of the Claricom family of companies for the twelve months ending December 31, 1999. Since the acquisition of its parent company, Claricom Holdings, Inc., by Staples, Inc. in February, 1999, Claricom has reported on a consolidated basis with its ultimate parent company, Staples, Inc. The Application includes the consolidated and most recent SEC Form 10-K and Form 10-Q Reports of Staples, Inc., its ultimate parent corporation. Staples, Inc. is a public-traded company that operates a nationwide chain of office supply stores with annual sales in excess of seven billion dollars. The SEC Form 10-K and 10-Q reports show that the parent company's financial resources are considerable. Ms. Johnson testified that Claricom has the financial resources necessary for its proposed South Carolina operations and has more than enough financial capability to serve its customers consistent with the Commission's rules and regulations.

Ms. Johnson testified that customer inquiries and complaints will be handled by representatives at Claricom's National Customer Service Center which is staffed twenty-four hours a day, seven days a week. The toll-free number of Claricom's National Customer Service Center is (800) 678-9866. The number will be provided when service is initiated and will be printed on monthly billing statements. Customer service matters and complaints may also be directed to Claricom's customer service contact person by writing to: Thomas Maier, Vice President, Network Division, Claricom Networks, Inc. d/b/a Staples Communications-Networks, 4 Research Drive, Suite 500, Shelton, Connecticut 06484. Ms. Johnson offered that maintenance and repair of facilities leased from other carriers is performed by the technical personnel of Claricom's underlying carriers, subject to the provisions of their respective tariffs.

Claricom agrees to comply with all Orders, regulations and requirements of the Commission. According to Ms. Johnson's testimony, the certification of Claricom will ensure that South Carolina customers have a wider variety of affordable services and prices from which to choose. She states that Claricom's entry into the South Carolina telecommunications marketplace will increase customer choice, promote efficient use of the network, and expand the tax base and revenue sources for the state. She further states that granting Claricom a Certificate of Public Convenience and Necessity will have a positive impact on the public interest. The record reveals that Claricom's strategy is to provide integrated networks and systems to deliver comprehensive solutions to customer-specific requirements quickly and cost-effectively, which it believes will benefit citizens by providing a unified source of telecommunications services.

The Commission, in its regularly scheduled Commission meeting on August 22, 2000, considered Claricom's Application and Motion for Expedited Review. The Commission

recognizes that Claricom is presently authorized by this Commission to operate as a reseller of interexchange telecommunications services in South Carolina. Claricom was granted this authority by Order No. 97-773 in Docket No. 97-082-C, dated September 9, 1997, after a hearing before the Commission in which the Commission determined that Claricom possesses the experience, capability, and financial resources to provide interexchange telecommunications services in South Carolina. Upon consideration of Claricom's Application to provide local telecommunications services and Motion for Expedited Review, the Commission finds it appropriate to grant the Motion for Expedited Review. The only intervention received in this docket was from the South Carolina Telephone Coalition (SCTC). That intervention was withdrawn when SCTC and Claricom reached an agreement and signed a Stipulation outlining that agreement which is attached as Exhibit 1. By its Motion for Expedited Review, Claricom has waived all rights to a full evidentiary hearing and requests that the Commission consider the Application in the context of a regularly scheduled Commission meeting. The Commission will consider Claricom's Application in the Commission meeting, and the Commission's discussion and deliberation in the presence of a court reporter and with verified testimony of the witness to be deemed a hearing for the purposes of consideration of this Application.

According to the Application and Ms. Johnson's testimony, Claricom requests waivers of certain Commission regulations. First, Claricom requests a waiver of Reg. 103-631 so that it will not be required to publish its own local directory. Second, Claricom seeks a waiver of Reg. 103-610 which requires a company to keep its books and records within South Carolina. Claricom desires to keep its books and records at its headquarters in Shelton, Connecticut; it will keep South Carolina specific records. Claricom also seeks a waiver of S.C. Code Ann. Reg. 103-

612.2.3 which requires a company to file a map with this Commission showing its certificated area. Claricom further requests that it be allowed to keep its books and financial records according to the Generally Accepted Accounting Principles rather than according to the Uniform System of Accounts (USOA). In addition, Claricom requests a waiver of any reporting requirements which, although applicable to incumbent local exchange carriers, are not applicable to competitive providers such as Claricom because it is the Company's position that such requirements (1) are not consistent with the demands of the competitive marketplace; or (2) they constitute an undue burden on a competitive provider, thereby requiring an inefficient allocation of its limited resources.

Upon consideration of the applicable law, the Company's Application, Motion for Expedited Review, and the verified pre-filed testimony, the Commission makes the following findings of fact and conclusions of law:

FINDINGS OF FACT

1. Claricom is organized as a corporation under the laws of Delaware and has received a certificate from the South Carolina Secretary of State to transact business within South Carolina as a foreign corporation.
2. Claricom is currently certificated to offer interexchange services in South Carolina and now wishes to also provide local exchange services within the State of South Carolina.
3. The Commission finds that Claricom possesses the technical, financial, and managerial resources sufficient to provide the service requested. S.C. Code Ann. §58-9-280(B)(1) (Supp. 1999).

4. The Commission finds that Claricom's "provision of service will not adversely impact the availability of affordable local exchange service." S.C. Code Ann. §58-9-280(B)(3) (Supp. 1999).

5. The Commission finds that Claricom will support universally available telephone service at affordable rates. S.C. Code Ann. §58-9-280(B)(4) (Supp. 1999).

6. The Commission finds that Claricom will provide services which will meet the service standards of the Commission. S.C. Code Ann. §58-9-280(B)(2) (Supp. 1999).

7. The Commission finds that the provision of local exchange service by Claricom "does not otherwise adversely impact the public interest." S.C. Code Ann. §58-9-280(B)(5) (Supp. 1999).

CONCLUSIONS OF LAW

1. Based on the above findings of fact, the Commission determines that a Certificate of Public Convenience and Necessity should be granted to Claricom to provide competitive intrastate local exchange services within the State of South Carolina. The terms of the Stipulation between Claricom and the SCTC (attached hereto as Order Exhibit 1) are approved and adopted as a portion of this Order. Any proposal to provide local services to rural service areas is subject to the terms of the Stipulation. In accordance with the Stipulation, Claricom may not provide any local service to a customer located in a rural incumbent LEC's service area, unless or until Claricom provides such rural incumbent LEC and the Commission, written notice of its intent to do so at least thirty (30) days prior to the date of the intended service. During such notice period, the rural incumbent LEC will have the opportunity to petition the Commission to exercise all rights afforded it under Federal and State law. The

Commission may suspend the intended date for service in rural LEC territory for ninety (90) days while it conducts any proceeding incident to the Petition or upon the Commission's own Motion, provided that the Commission can further suspend the implementation date upon a showing of good cause. It is specifically provided that all rights under Federal and State law are reserved to the rural incumbent LECs, and this Order in no way suspends or adversely affects such rights, including any exemptions, suspensions, or modifications as they may be entitled. If, after notice from Claricom that it intends to serve a customer located in a rural incumbent LEC's service area, and the Commission receives a Petition from the rural incumbent LEC to exercise its rights under Federal or State law, or if the Commission institutes a proceeding of its own, no service may be provided by Claricom in a rural incumbent LEC's service area pursuant to this Order without prior and further Commission approval.

2. Claricom shall file, prior to offering local exchange services in South Carolina, its final tariff of its local service offerings conforming to all matters discussed with Staff and comporting with South Carolina law in all matters. Any proposed change in the rates reflected in the tariff for local services which would be applicable to the general body of the Company's subscribers shall constitute a general ratemaking proceeding and will be treated in accordance with the notice and hearing provisions of S.C. Code Ann. §58-9-540 (Supp. 1999).

3. Claricom shall resell or provide the services of only those companies authorized to provide telecommunications services in South Carolina by this Commission.

4. Claricom shall conduct its business in compliance with Commission decisions and Orders, both past and future, including but not limited to, any and all Commission decisions which may be rendered in Docket No. 96-018-C regarding local competition.

5. Claricom shall file annual financial information in the form of annual reports and gross receipt reports as required by the Commission. The annual report and the gross receipt report will necessitate the filing of intrastate information. Therefore, Claricom shall keep such financial records on an intrastate basis as needed to comply with the annual report and gross receipt filings. The form the company shall use to file annual financial information with the Commission can be found at the commissions website at www.psc.state.sc.us/forms. This form is entitled "Annual Report for Competitive Local Exchange Carriers" and consists of four pages.

6. Title 23, Chapter 47, South Carolina Code of Laws Ann., governs the establishment and implementation of a "Public Safety Communications Center," which is more commonly known as a "911 system" or "911 service." Services available through a 911 system include law enforcement, fire, and emergency medical services. In recognition of the necessity of quality 911 services being provided to the citizens of South Carolina, the Commission hereby instructs Claricom to contact the appropriate authorities regarding 911 service in the counties and cities where the Company will be operating. Contact with the appropriate 911 service authorities is to be made before beginning telephone service in South Carolina. Accompanying this Order is an information packet from the South Carolina Chapter of the National Emergency Number Association ("SC NENA") with contact information and sample forms. The Company may also obtain information by contacting the E911 Coordinator at the Office of Information Resources of the South Carolina Budget and Control Board. By this Order and prior to providing services within South Carolina, Claricom shall contact the 911 Coordinator in each county, as well as the 911 Coordinator in each city where the city has its own 911 system, and shall provide information regarding the Company's operations as required by the 911 system.

7. The Company shall, in compliance with Commission regulations, designate and maintain authorized utility representatives who are prepared to discuss, on a regulatory level, customer relations (complaint) matters, engineering operations, tests and repairs. In addition, the Company shall provide to the Commission in writing the names of the authorized representatives to be contacted in connection with general management duties as well as emergencies which occur during non-office hours.

Claricom shall file the names, addresses and telephone numbers of these representatives with the Commission within thirty (30) days of receipt of this Order. The form the company shall use to file this authorized utility representative information can be found at the Commission's website at www.psc.state.sc.us/forms. This form is entitled "Authorized Utility Representative Information." Further, the Company shall promptly notify the Commission in writing if the representatives are replaced.

8. Claricom requested waivers from certain Commission regulations and requirements. Specifically, Claricom requested waivers from (1) the requirement found in Rule 103-631 to publish and distribute local exchange directories, (2) the requirement contained in Rule 103-610 that all records be kept within the State of South Carolina, and (3) the requirement that a telecommunications utility file a map with this Commission showing its certificated area. For good cause shown, the Commission finds and concludes that Claricom should be granted waivers, as requested, from (1) the requirement contained in Reg. 103-631 to publish and distribute local exchange directories, (2) the requirement contained in Reg. 103-610 that records be kept within the State of South Carolina, and (3) the requirement that the Company file a map of its certificated area. Claricom has shown that it will arrange with the incumbent local

exchange company to include the customers of Claricom in the directory listing of the ILEC directory. Also, Claricom has indicated that it will make its records available for inspection upon request by the Commission if allowed to keep books and records at its principal place of business in Shelton, Connecticut. Because Claricom seeks authority to provide local exchange telecommunications services throughout the State of South Carolina, it is not necessary that the Company file a map of its certificated area. Accordingly, a waiver of Reg. 612.2.3 is granted. The Commission also grants Claricom the opportunity to keep its books and records in accordance with GAAP rather than the USOA. The Commission denies Claricom's request for a waiver of any reporting requirements which are applicable to incumbent local exchange carriers. Claricom shall make reporting reporting requirements as required of all CLECs operating in South Carolina. Claricom is directed to comply with all Commission regulations, unless a regulation is specifically waived by the Commission.

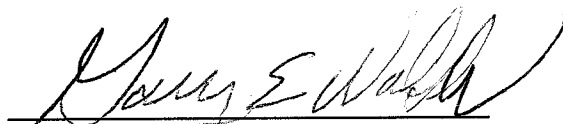
9. This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:



Chairman

ATTEST:



Executive Director (SEAL)

BEFORE
THE PUBLIC SERVICE COMMISSION
OF
SOUTH CAROLINA

Docket No. 2000-0283-C

Re: Application of Claricom Networks, Inc. d/b/a)
Staples Communications Networks for a)
Certificate of Public Convenience and)
Necessity to Provide Local Exchange)
Telecommunications Services in the State)
of South Carolina)
_____)

STIPULATION

The South Carolina Telephone Coalition ("SCTC") (see attachment "A" for list of companies) and Claricom Networks, Inc. d/b/a Staples Communications Networks ("Claricom") hereby enter into the following stipulations. As a consequence of these stipulations and conditions, SCTC does not oppose Claricom's Application. SCTC and Claricom stipulate and agree as follows:

1. SCTC does not oppose the granting of a statewide Certificate of Public Convenience and Necessity to Claricom, provided the South Carolina Public Service Commission ("Commission") makes the necessary findings to justify granting of such a certificate, and provided the conditions contained within this stipulation are met.

2. Claricom stipulates and agrees that any Certificate which may be granted will authorize Claricom to provide service only to customers located in non-rural local exchange company ("LEC") service areas of South Carolina, except as provided herein.

3. Claricom stipulates that it is not asking the Commission to make a finding at this time regarding whether competition is in the public interest for rural areas.

4. Claricom stipulates and agrees that it will not provide any local service, by its own facilities or otherwise, to any customer located in a rural incumbent LEC's service area, unless and

until Claricom provides such rural incumbent LEC and the Commission with written notice of its intent to do so at least thirty (30) days prior to the date of the intended service. During such notice period, the rural incumbent LEC will have the opportunity to petition the Commission to exercise all rights afforded it under Federal and State law. Also, Claricom acknowledges that the Commission may suspend the intended date for service in rural LEC territory for ninety (90) days while the Commission conducts any proceeding incident to the Petition or upon the Commission's own Motion, provided that the Commission can further suspend the implementation date upon showing of good cause.

5. Claricom stipulates and agrees that, if Claricom gives notice that it intends to serve a customer located in a rural incumbent LEC's service area, and either (a) the Commission receives a Petition from the rural incumbent LEC to exercise its rights under Federal or State law within such 30-day period, or (b) the Commission institutes a proceeding of its own, then Claricom will not provide service to any customer located within the service area in question without prior and further Commission approval.

6. Claricom acknowledges that any right which it may have or acquire to serve a rural telephone company service area in South Carolina is subject to the conditions contained herein, and to any future policies, procedures, and guidelines relevant to such proposed service which the Commission may implement, so long as such policies, procedures, and guidelines do not conflict with Federal or State law.

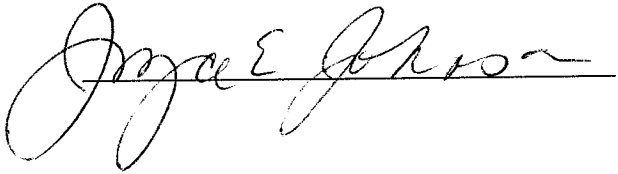
7. The parties stipulate and agree that all rights under Federal and State law are reserved to the rural incumbent LECs and Claricom, and this Stipulation in no way suspends or adversely affects such rights, including any exemptions, suspensions, or modifications to which they may be entitled.

8. Claricom agrees to abide by all State and Federal laws and to participate, to the extent it may be required to do so by the Commission, in the support of universally available telephone service at affordable rates.

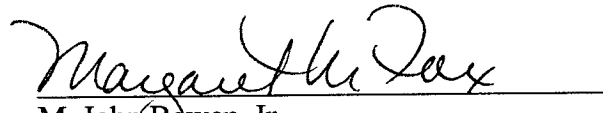
9. Claricom hereby amends its application and its prefiled testimony in this docket to the extent necessary to conform with this Stipulation.

AGREED AND STIPULATED to this 17th day of August, 2000.

Claricom Networks, Inc. d/b/a Staples
Communications Networks:



South Carolina Telephone Coalition:



M. John Bowen, Jr.
Margaret M. Fox
McNAIR LAW FIRM, P.A.
Post Office Box 11390
Columbia, South Carolina 29211
(803) 799-9800

Attorneys for the South Carolina Telephone
Coalition

ATTACHMENT A

South Carolina Telephone Coalition Member Companies for Purposes of Local Service Stipulation

ALLTEL South Carolina, Inc.
Chesnee Telephone Company
Chester Telephone Company
Farmers Telephone Cooperative, Inc.
Ft. Mill Telephone Company
Heath Springs Telephone Company Inc.
Home Telephone Company, Inc.
Lancaster Telephone Company
Lockhart Telephone Company
McClellanville Telephone Company
Norway Telephone Company
Palmetto Rural Telephone Cooperative, Inc.
Piedmont Rural Telephone Cooperative, Inc.
Pond Branch Telephone Company
Ridgeway Telephone Company
Rock Hill Telephone Company
Sandhill Telephone Cooperative, Inc.
St. Stephen Telephone Company
West Carolina Rural Telephone Cooperative, Inc.
Williston Telephone Company

BEFORE
THE PUBLIC SERVICE COMMISSION
OF
SOUTH CAROLINA

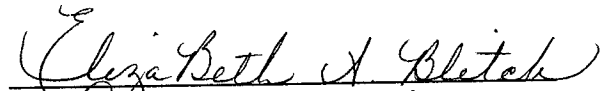
Docket No. 2000-0283-C

Re: Application of Claricom Networks, Inc. d/b/a)
Staples Communications Networks for a)
Certificate of Public Convenience and)
Necessity to Provide Local Exchange)
Telecommunications Services in the State)
of South Carolina)
_____)

**CERTIFICATE OF
SERVICE**

I, ElizaBeth A. Blitch, do hereby certify that I have this date served one (1) copy of the foregoing Stipulation upon the following party of record by causing said copy to be deposited with the United States Mail, first class postage prepaid to:

Valerie M. Furman, Esquire
Dickstein Shapiro Morin & Oshinsky LLP
2101 L Street, N.W.
Washington, D.C. 20037.


ElizaBeth A. Blitch, Legal Assistant
McNAIR LAW FIRM, P.A.
Post Office Box 11390
Columbia, South Carolina 29211
(803) 799-9800

August 18, 2000

Columbia, South Carolina